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STATE FOR NEA/ELA AND EEB/IFD/ODF  
STATE PASS USTR FRANCESCKI  
STATE PASS USAID LAUDATO/SCOTT  
TREASURY FOR PARODI/BLEIWEISS/CORREA  
USDOC FOR 4520/ITA/MAC/ONE  
NSC FOR MCDERMOTT

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SUBJECT: LEBANON: ARAB ECONOMIC FORUM FOCUSES ON LEBANON'S  
RESILIENCE (ECONOMIC WEEK IN REVIEW, MARCH 30 - APRIL 5, 2009)

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ARAB ECONOMIC FORUM FOCUSES ON GLOBAL CRISIS,  
LEBANON'S ECONOMIC RESILIENCE  
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[1](#)1. (U) On April 2, the 17th annual Arab Economic Forum opened in Beirut. Speakers included PM Siniora, Future Party Leader Saad Hariri, Central Bank Governor Riad Salameh, and several prominent business and financial figures. Their remarks focused on the repercussions of the global economic crisis in the Arab region, the need for increased inter-Arab economic cooperation, economic reform, and reviving efforts to establish an Arab Common Market. Chairman of the Association of Banks in Lebanon (ABL) Francois Bassil noted that while Arab oil-exporting countries could rely on their governments to help them face the crisis, the rest of the Arab world, including Lebanon, needed to rely on the private sector to boost economic growth and attract investment.

[1](#)2. (U) All speakers agreed that Lebanon has not yet been affected by the crisis. Central Bank of Lebanon (CBL) Governor Riad Salameh noted that CBL foreign currency assets reached over \$21 billion (excluding gold reserves and other assets), which is a source of confidence, ensuring the stability of the Lebanese pound and interest rates. Salameh expected economic growth of around four percent in 2009, an increase in bank deposits of between seven and ten percent, and inflation under four percent. Dollarization of deposits is also expected to decline further from its current rate of 68%.

ACTIVITY AGAINST MONEY LAUNDERING AND  
TERROR FINANCE INCREASES IN 2008  
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13. (SBU) Ibrahim Homsy, Senior Director at the Special Investigation Commission (SIC) fighting money laundering and terrorism finance, Lebanon's financial intelligence unit, told us April 3 that the SIC received 226 cases for investigation and inquiry in 2008, of which 11 cases originated from USG requests covering suspected money laundering operations and terrorism finance. Out of the 226 cases received, the SIC investigated 201 cases, transferring 67 of them to the judicial authorities. In 2007, the SIC investigated 191 cases of money laundering and illegal financial activities, Homsy said. The SIC will post its 2008 annual report on [www.sic.gov.lb](http://www.sic.gov.lb)

S&P: LEBANON MOST AT RISK IN MENA REGION  
FROM DROP IN REMITTANCES  
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14. (U) In a March 30 report, Standard & Poor's (S&P) said that a significant decline in expatriates' remittances to Lebanon would hurt its current account balance more than that of other remittance-dependent economies in the MENA region. S&P noted remittances account for 27% of Lebanon's current account receipts, the highest such share in the region. While S&P did not predict how big a decline in remittances MENA countries would face, it presented various scenarios and outlined their consequences on the remittance-dependent economies. Under its base-case scenario, S&P said a decline of between 5% and 10% in remittance inflows to Lebanon in 2009 would result in a current account deficit of 10% of GDP. The report's stress tests indicate that a 50% contraction in remittance inflows would result in a current account deficit of 19% of GDP for 2009, the largest such deterioration in the MENA region. S&P noted that its credit ratings on Lebanon already incorporate its assessment of the country's precarious external balances.

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WORLD BANK REVISES ITS PROJECTION  
FOR 2009 MENA REMITTANCES INLFOWS  
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15. (U) In parallel, the World Bank (WB) revised its 2009 projections for remittance inflows to the MENA region, with inflows contracting by 1.4% in a base-case scenario and by 5.2% in a worst-case scenario, compared to previous forecasts of 6.7% and 13.2%. The WB attributed the revised forecasts to expectations that remittances from Gulf Cooperation Council (GCC) countries would show a smaller economic decline of 3%, compared to its previous estimate of a 9% contraction. Many GCC countries are following a long-term infrastructure development strategy funded from accumulated reserves and are unlikely to low down infrastructure spending and lay off migrant workers in large numbers. Although there are n official estimates, anecdotal evidence suggests that around 300,000 Lebanese work in GCC countries.

MOODY'S UPGRADES LEBANON'S BOND  
RATINGS, BUT REMAINS CAUTIOUS  
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16. (U) Moody's Investor Service upgraded Lebanon's local and foreign government bond rating to B2 from B3, foreign currency bank deposits to B2 from B3, and foreign currency bonds to B1 from B2. According to Moody's, these upgrades come after the substantial improvement in external liquidity, the proven resilience of public finances towards shocks, and the willingness and ability of Lebanon's banking system to finance the country's debt. However, Moody's is still cautious about the fragility and the vulnerability of the Lebanese political and economic situation, which continue to limit the possibility of a substantial improvement in credit ratings for Lebanon.

DELTA AIRLINES WILL OPEN ITS  
FIRST OFFICE IN LEBANON  
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17. (SBU) Delta Airlines will open its first office in Lebanon on April 27. Robert Nakh1, General Manager of Delta Airlines in Lebanon, told Commercial staff on April 3 that the volume of travel between Lebanon and the U.S. is estimated at \$41 million each year. Delta Airlines will be competing in the Lebanese market with United,

Continental, and American Airlines, all of which already have a presence in Lebanon.

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